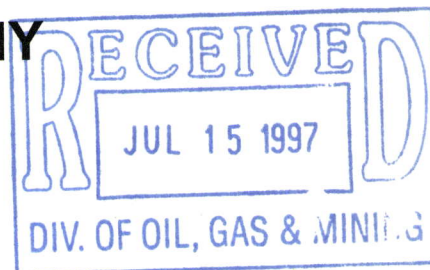


JUMBO MINING COMPANY

6305 Fern Spring Cove
Austin, Texas 78730
512-346-4537 (Ph.)
512-346-3188 (Fax)



July 9, 1997
File: BLMU7087

Mr. Rex Rowley
Area Manager
Bureau of Land Management
House Range Resource Area
35 East 500 North, P.O. Box 778
Fillmore, Utah 84631

FAX No: 801-743-3135
TEL No.: 801-743-6811

Via FAX and Certified Mail

Dear Mr. Rowley:

Re: Your letter dated June 25, 1997

1) Acceptance of WSMC's POO: Regardless of our difference of opinion with respect to the import of the December 9, 1988 letter to you by R.L. Moore, we understand and accept the logic of the transfer to Jumbo under your regulations and procedures. As you know, Jumbo has accepted and bonded for the reclamation of those legally constructed heaps and mining areas which were covered by the POO. Consistently, Jumbo has refused to take over the responsibility from Western for Western's illegal activities prior to October 1988, which activities were not covered by an approved POO or notice of activity from your agency, and thus we agree with you that these remain with Western.

With respect to the reclamation of the 10.6 acre waste dump site, it is our contention that, by contract, this remains the responsibility of Western. Jumbo has made it plain in various communications and on all final reclamation maps that it has never disturbed this site and has never assumed the responsibility for it. However, subject to resolution of the legal issues with Western, Jumbo will accept the fact that this was included in the 1984 amended POO which is operative for Jumbo. We assume that this acceptance carries with it the responsibility for reclamation in the manner as originally agreed upon in the POO and as bonded by Western, and we will look to Western to reimburse us for any reclamation expense incurred.

2. Regarding the various approved drill sites left behind unreclaimed by Western, our position is the same as above.

3. With respect to the Mizpah site, we agree that, until such time as a new POO for this site has been accepted and bonded with DOGM, the reclamation responsibility remains with Western.

4. We agree with respect to the road which Jumbo built or improved, which connects the Drum leach plant site to the Alto Mine, Jumbo has applied for a right of way.

5. Mine site drill holes: We will include justification for leaving some of them open for future monitoring of the perched saturation zone near the location where the new heaps are to be constructed, subject to agreement with DWQ. Others will be plugged promptly thereafter.

6. With respect to Western conducting reclamation work on the property, we do not believe that their reclamation activities will interfere with our activities, and we will make reasonable accommodations for these activities. If some interference should develop, we will either resolve the issue with Western or take over the responsibility, as you suggest.

7. Existing occupancy issues: You state that " ...no drilling has taken place on BLM lands for five years." This is simply not true. We are prepared to demonstrate to you that we have drilled approximately 137 exploration drill holes on BLM land during the last five years! Since we were forced to cease leaching by order of DWQ in 1990, we have drilled a total of approximately 280 exploration drill holes on our Drum Mountain properties. These holes were mostly covered by the existing POO, whereby no separate permission was required from your agency, and thus, you would have no record of these activities. The holes that were drilled on adjacent private or State of Utah land benefited Federal land because the new ore reserves would be hauled and processed on Federal land, and thus make possible a longer and more beneficial usage of the Federal land.

It is our contention that this drilling activity alone, not to mention the many other activities which were enumerated previously, clearly exempts Jumbo activities from the mode of "non operation" ", as referenced in your regulations, 43 CFR 3809.3-7. and as defined in 43 CFR 3809.0-0-5, *Definitions*, sub paragraph (f), *Operations*. Surely you will agree that a watchman is "reasonably incident" to the required activities, when you consider that nearly a million dollars of equipment and infra structure is maintained on the property. This equipment includes the track mounted drilling equipment, backhoe, exploration vehicles, sample preparation laboratory, and analytical laboratory required to analyze the mineral samples obtained from the underground activities (drilling, and sampling of existing underground tunnels, backhoe and dozer cuts, etc.), among others.

8. DWQ Issues: We have previously submitted an application for a ground water permit, along with several modifications (in 1990 and 1991). I believe these were copied to your agency at the time. Due to the modifications required by the new heap construction plans, and new regulations which subsequently came into effect, we were notified by DWQ that a new permit would be required. Because we have been unable to get our final construction plans approved by DWQ in the meantime, we have been in a "catch 22" situation with regard to the ground water permit. However, in an effort to comply with your request, we have yesterday filed a new application for a ground water permit, which we hope will provoke expeditious handling of all open issues by the DWQ.

I trust that I have satisfactorily addressed all of the issues raised in your letter. Please contact me or Dave Hartshorn should you have any questions. I am sending this to you by fax in an effort to comply fully with your request for a reply within ten days after receipt of your letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. King".

President

cc: D. Hartshorn, Drum Mine
ZLSamay
W. Hedberg, DOGM
M. Novak, DWQ, DEQ
Leon Smith, Millard County Planning and Zoning